

AR53

mentor

EXPLORATION AND DEVELOPMENT CO. LIMITED



A circular logo with a stylized 'A' inside, surrounded by a repeating pattern of 'GOLD SILVER' and 'Au Ag'. The background is dark green with a subtle texture. The text 'GOLD SILVER' is written in a light green, sans-serif font, and 'Au Ag' is written in a darker green, sans-serif font. The pattern repeats around the circle.

1976

ANNUAL REPORT



mentor

EXPLORATION AND
DEVELOPMENT CO. LIMITED



MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

Executive and Head Office	Suite 300, 365 Bay Street, Toronto, Ontario M5H 2V1
Directors	IRVING DOBBS PHILIP DRUTZ GORDON W. KIRK, P.Eng. JOHN R. MURRAY PAUL PENNA ALBERT WASSERMAN
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL Chartered Accountants Toronto, Ontario
Solicitors	SHIBLEY, RIGHTON & MCCUTCHEON Toronto, Ontario
Shares Listed	TORONTO STOCK EXCHANGE Toronto, Canada
Annual Meeting	June 24, 1977, 11:30 a.m. (Toronto Time), Library Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario

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Looking northeast across the surface plant at the Joutel Township gold mine of Agnico-Eagle Mines Limited. The new mill extension is housed in the area of the main building toward the lower left hand corner. The Harricana River is northeast of the plant site.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the Annual Report of the Company which includes the audited financial statements for the year ended December 31, 1976 together with the following review of its activities, mineral properties and principal investments.

Your Company continues to concentrate its efforts in the gold mining industry, both in respect of its exploration programs as well as the Company's principal investment holdings. The latter include substantial minority equity interests in **Agnico-Eagle Mines Limited** with its separate gold and silver mining divisions which produced a combined \$8.7 million gross value of gold and silver bullion in 1976; and in **Dumagami Mines Limited** which owns a partially developed gold-silver-copper deposit and related milling facility, currently on a standby basis pending a further improvement in gold prices to the required level for economic operation.

In addition, through its approximate 21% equity interest in affiliated **Sudbury Contact Mines, Limited**, your Company has a participation in an assemblage of gold properties in the Kirkland-Larder Lake area of Ontario, which, among several gold prospects, includes the former producing Raven River Mine and the partially developed Laguerre Gold Mine. Expenditures made by Sudbury Contact during the period from late 1974 to mid 1976 with respect to this group of properties, including mine buildings, equipment, exploration and underground development, totalled in excess of \$450,000.

Further exploration and development of Sudbury Contact's Kirkland-Larder Lake area gold properties is being deferred awaiting an improvement in world gold prices and related capital financing conditions which would be required for the continuation of this project.

Your Company also owns 115,200 shares of **Goldex Mines Limited** which has gold claims in the famed Val d'Or area of Quebec, where mining operations were suspended during August, 1975.

The following is a tabulation of your Company's principal investment holdings at March 31, 1977:

Agnico-Eagle Mines Limited — 834,744 shares equal to an approximate 6% interest.

Dumagami Mines Limited — 637,500 shares equal to an approximate 16.8% interest.

Goldex Mines Limited — 115,200 shares equal to an approximate 4.7% interest.

Sudbury Contact Mines, Limited — 1,385,582 shares equal to an approximate 21% interest.

The combined quoted market value of these investments at March 31, 1977 was approximately \$6.4 million, or an underlying value per Mentor share of \$1.85.

It is pertinent to note that the market valuations for the foregoing essentially gold-oriented investment holdings have, for the most part, fluctuated sympathetically with world bullion prices and the frequent, tactically inspired anti-gold sentiments usually influencing these gold price swings.

For example, the combined \$6.4 million value of these investments at March 31, 1977 is significantly below that which prevailed prior to the September, 1975 announcement by the International Monetary Fund of its intended sale of one-sixth or 25 million ounces of its gold holdings by a series of auctions, plus the restitution of another one-sixth or 25 million ounces to the subscribing IMF member countries.

Taken at the quoted high prices prevailing during the first half of 1975, the combined market value of these four principal investments would have been in excess of \$9.5 million and at the 1974 peaks, approximately \$14.3 million.

Obviously, the outlook for world gold prices has an important relationship with your Company's investments in gold mining projects as well as its own gold related exploration programs.

The dominant fact emerging from the bullion market action during 1976 and into 1977 was the dramatic recovery from the low of \$103.50 per ounce last August to a recent level of nearly \$150.00 and the general expectation of higher prices later this year.

World bullion markets have demonstrated the ability to absorb — on a rising price scale — not only the 6,255,000 ounces sold by the IMF in the nine successive auctions held since June 2, 1976 together with new mine production of the metal, but also very substantial amounts sold by Russia and China, plus an unknown but probably substantial amount from the nearly 6,000,000 ounces restituted early this year to some 112 IMF member countries at the “official” bargain price of approximately \$40.00 per ounce.

It is notable that in every instance, the IMF auctions have been countered by bidding in amounts approximately three times the quantities offered. The successful bidders, undoubtedly representing both central banks as well as private sophisticated investors, have demonstrated by their actions that they were placing increasing emphasis on gold.

Over 2.5 million ounces is reputed to have been purchased by Arab central banks during 1976, presumably through Swiss banks. A more open approach was taken at May 4th, 1977 auction when the Bank of Oman (United Arab Emirates) was among the 14 successful bidders paying an average price of \$148.02 per ounce.

Commencing in January, 1978 the commitments made at the IMF Jamaica conference in early 1976 will expire and from then on governments will be able to purchase gold without restriction. This could well lead to far more aggressive — and open — buying by governments that traditionally place great store in the value of metal over dollars and other fiat currencies.

The following separate summaries of the activities and future plans of the companies in which Mentor has significant investment interests is presented for the information of Shareholders.

AGNICO-EAGLE MINES LIMITED

Developments at Agnico-Eagle's separate gold and silver mining divisions highlighted the major corporate events for 1976 and into the first quarter of the current year. The new mill extension at the

gold mining division, Joutel, Quebec, provided definite improvement in metallurgical recoveries and enabled a significant increase in the mill treatment rate and gold bullion production.

Shaft deepening at the Joutel gold mine, extending the workings an additional 1,100 feet toward the objective depth of 2,965 feet, or virtually double the depth from the current bottom production level at 1,500 feet, has made very satisfactory progress. The level station at the 2,250 foot horizon was recently completed and the shaft is now at a depth of approximately 2,500 feet.

Completion of this phase of the shaft deepening program is now scheduled for September of 1977 at which time underground development of the new lower levels is expected to commence. When completed, this project will provide nine new production levels below the 1,500 foot level.

Ore reserves at December 31, 1976 of 2,222,655 tons grading 0.28 ounce of gold per ton, compare with 2,601,883 tons of 0.27 ounce per ton at the end of 1975. The currently defined ore reserves to the approximate 2,300 foot horizon represent mill requirements for more than six years at current production rates.

The company noted in its Annual Report that the concentration of development and other related work in the upper levels of the mine in 1976 precluded the usual efforts to define replacement reserves during the year. Such work will, of course, be undertaken at the conclusion of the shaft deepening project. The tenor of values obtained in diamond drilling below the 1,500 foot level during 1975 and in the first half of 1976 indicate ore enrichment at the lower horizons.

The gold mineralized zone containing the ore lenses has been established through diamond drilling and lateral work underground for a length of about 2,000 feet, extending virtually from surface to a tested depth of approximately 2,300 feet. The zone is open for extension both to the south-east into the company-owned Telbel property as well as to depth.

Recent developments at Agnico-Eagle's silver mining division in connection with the Beaver-Temiskaming group of five properties in the Cobalt Camp of Ontario, have shown excellent potential for substantial new silver production.

Continued on Page 8

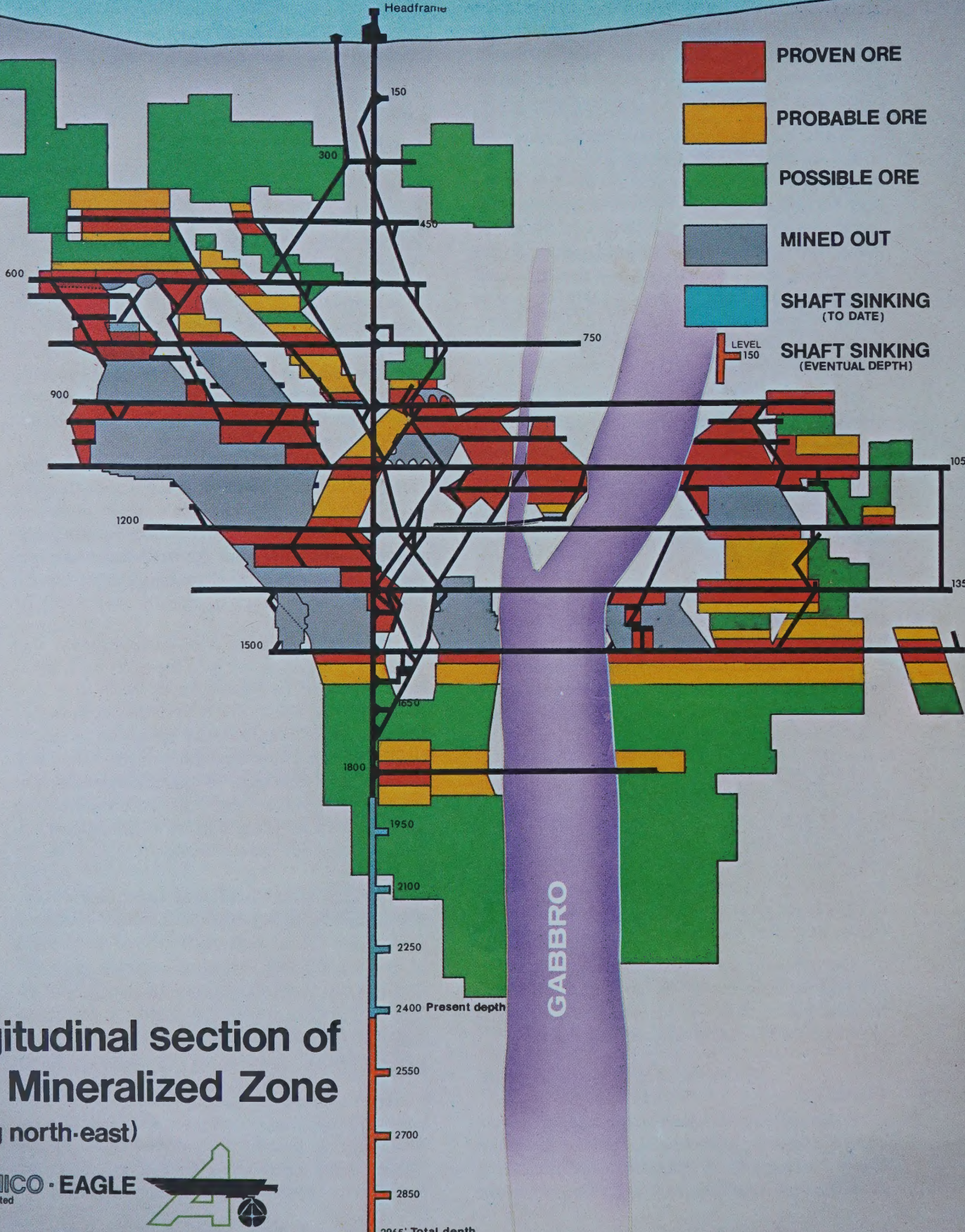
SURFACE

SURFACE

Headframe

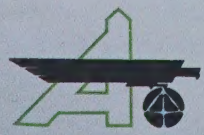
- PROVEN ORE**
- PROBABLE ORE**
- POSSIBLE ORE**
- MINED OUT**
- SHAFT SINKING (TO DATE)**
- SHAFT SINKING (EVENTUAL DEPTH)**

LEVEL 150



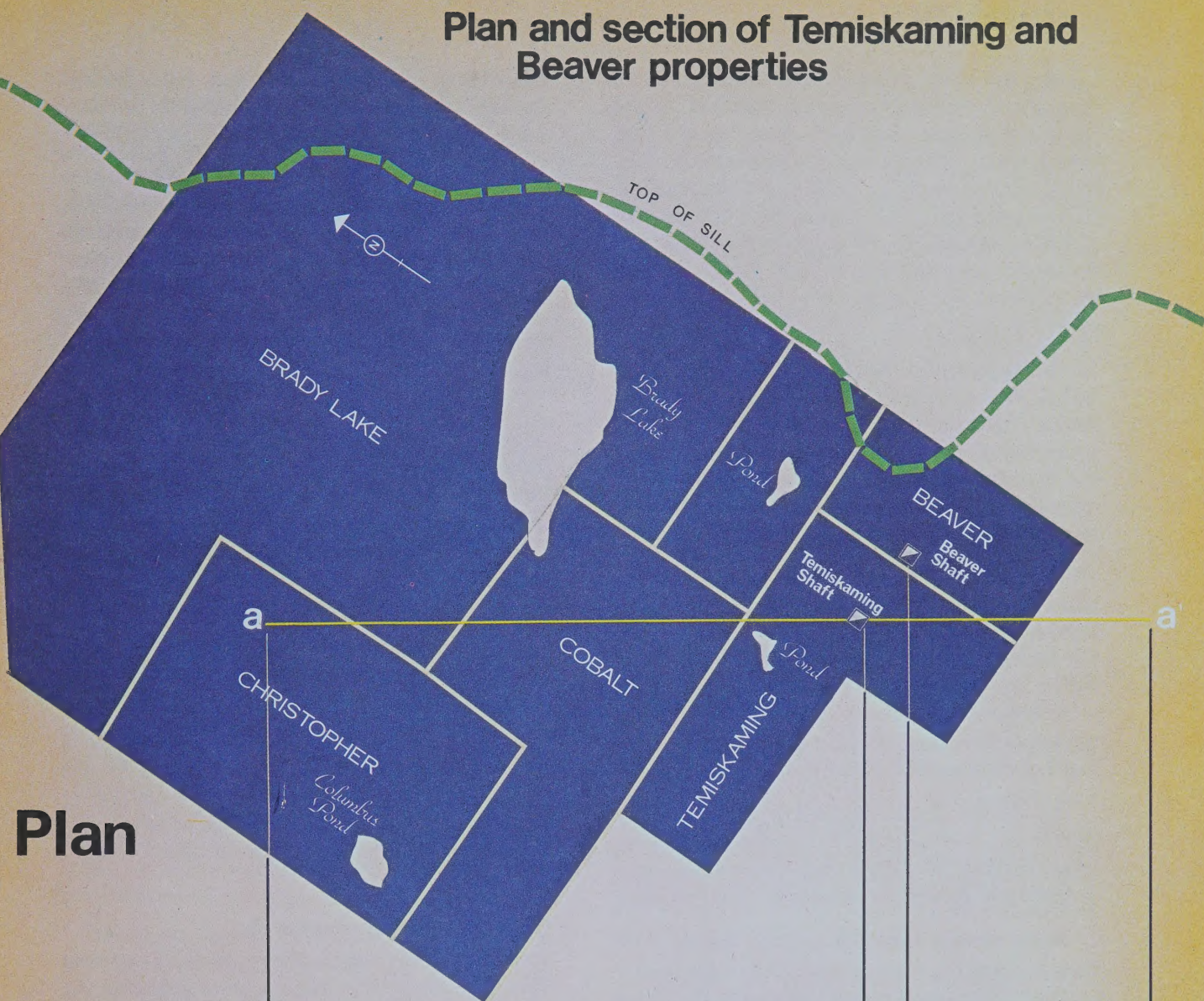
Longitudinal section of Gold Mineralized Zone
(looking north-east)

AGNICO · EAGLE
mines limited

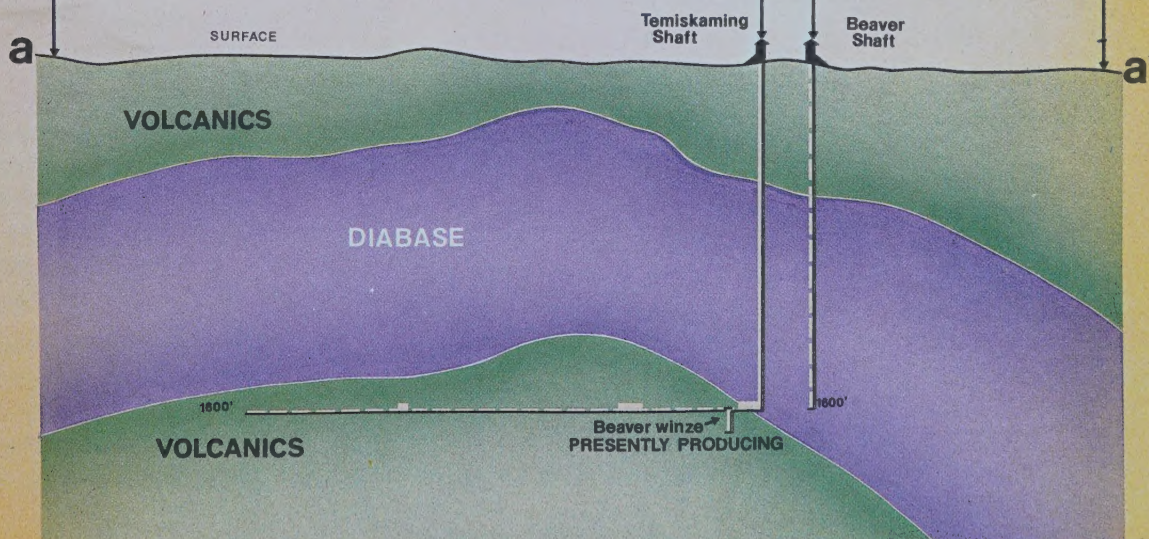


Plan and section of Temiskaming and Beaver properties

Plan



Section



The Beaver-Temiskaming Project represents a long range exploration program directed toward the investigation of the lower contact of the Nipissing diabase sill, which was originally initiated by the Company in 1971. The lower contact of the Nipissing diabase sill is a geological horizon that was the prime source of the approximate 500 million ounces of silver recovered by the majority of the mines in the Cobalt Camp at depths seldom exceeding 500 feet from surface.

In contrast, the five former producing mines which now comprise the Beaver-Temiskaming Project obtained their combined production of some 34 million ounces from the upper contact of the Nipissing diabase which overlies the lower contact, but presumably eroded at most other areas throughout the Cobalt Camp.

Former operators of the Beaver and Temiskaming mines extended their shafts to approximate depths of 1,600 feet to test the underlying lower contact zone and, prior to closure in the early 1920's, the Beaver Mine recorded the recovery of some 30,000 to 40,000 ounces of silver from a high grade pocket encountered near its shaft in the lower contact at the deep horizon.

As shown in the appended drawings, the Beaver and Temiskaming shafts provide the only access in this area of the Cobalt Camp to the lower contact zone at an approximate depth of 1,600 feet.

Apart from a brief interruption during 1975, Agnico-Eagle persevered in this underground program which included the driving of an exploration crosscut from the 1,600 foot level of the Beaver shaft and the inter-connected Temiskaming workings, southeast into the adjoining Cobalt Lode and Christopher properties for a total advance of 2,669 feet to the end of 1976.

Concurrent with the driving of the crosscut, a program of underground drilling was commenced which obtained several encouraging intersections at various locations at depths up to 120 feet below the level horizon. Total underground drilling during 1976 amounted to 12,389 feet.

The major turning point in this project came during February, 1977 when a hole drilled from the exploration drive on the 1,600 foot level below the former productive zones of the Cobalt Lode Property intersected a vein assaying 333.4 ozs. silver across a 0.4 ft. width. This drill intersection was

followed by others including seven holes that cut another vein about 400 feet northwest.

At the latter area, one hole cut the vein 60 feet above the level horizon, returning 2,542 ozs. over 0.4 feet, and another hole, which was directed to intersect the vein on the level and returned only low values in the main target area, cut two other veins with assays of 954.3 ozs. over 0.2 feet at 44.8 feet from the drill collar, and approximately 34.5 feet further in the same hole, 1,300 ozs. over 0.4 feet.

Also during February, an exploration heading from a winze some 60 feet below the level at the Beaver Mine workings encountered high grade silver in a small pod that produced some 600 tons containing an estimated 9,000 ounces of silver.

In summary, the results of drilling to date at the Beaver-Temiskaming Project have revealed five separate areas where significant drill core assays have been obtained, three of which are already accessible by drifting and two are currently being opened up.

Considering the results obtained thus far, and the very large area of potential ground in this favourable geology, the possibilities for developing substantial and long range sources of silver production are regarded as most promising.

Operating and Financial Results

Agnico-Eagle's gold mining division reported 1976 production of 64,343 ounces of gold from the treatment of 345,538 tons of ore grading 0.206 oz. per ton. The gross value of bullion production was \$7,940,667. While bullion production was higher in 1976 as compared with 59,224 ounces of gold in 1975, the average price received during the year of \$123.55 per ounce was appreciably below the 1975 average of \$160.00 per ounce.

Production at the silver mining division of 192,885 ounces with a gross value of \$761,586 was below expectations. However, this shortfall in production was more than offset by the encouraging exploration results which give promise of substantially increased silver production in 1977.

The gold mining division had an operating profit of \$2,003,935 while the silver mining division recorded an operating loss of \$311,065. These financial results are before deduction of non-cash items including amortization and depreciation

totalling, on a combined basis, \$2,495,970 and resulting in a net loss for the year of \$1,362,238 as compared with a net profit in 1975 of \$1,270,332.

Gross revenue for the gold division during the 1977 first quarter amounted to \$2,123,356 and a net division cash flow of \$532,157. Gross revenue from the silver division for the same period was \$72,542 from the treatment of 1,940 tons of ore yielding 13,347 ounces of silver. Silver production was limited owing to the shut down of the Penn Mill in mid January due to adverse weather conditions. The mill recently re-commenced operations.

The economic viability of the gold mining division with its costs per ounce of gold recovered averaging \$92.27 during 1976, is strongly enhanced by the upswing in gold prices which during the first quarter averaged about \$145.00 per ounce.

DUMAGAMI MINES LIMITED

This company, in which Mentor holds an approximate 16.8% equity interest, owns a gold-silver-copper property in Bousquet and Cadillac Townships, Quebec, about three miles from the Town of Cadillac. A paved highway connecting to the Val d'Or-Montreal highway passes through the eastern part of the property and electrical power is readily available as a Quebec Hydro transmission line crosses the property.

Dumagami also owns a 1,000 ton capacity mill and related facilities, acquired in 1975. The mill has an estimated replacement value of approximately \$2.5 million and was acquired by the issue of 500,000 treasury shares. Design work on mill alterations required to adapt it for the treatment of the Dumagami ore was virtually completed and a jaw crusher, mill liners together with miscellaneous materials were purchased during 1975.

Earlier work on the property included extensive surface diamond drilling in 1963 and 1964, the results of which enabled a tonnage estimate to a depth of 800 feet of 1,120,600 tons grading 0.19 ounce of gold per ton, 0.29% copper and 0.58 ounce of silver per ton. These calculations were based on the then prevailing \$35 per ounce price for gold and selective mining.

Although there was insufficient drilling to estimate tonnage below 800 feet, two of the deeper holes in the 1963-1964 drilling provided indications of ore to a depth of at least 1,200 feet.

As a result of the substantial increase in world gold prices, this property was re-assessed during 1974 and the ore reserves recalculated taking in the whole of the mineralized zone with a resultant estimate of 2,470,000 tons grading 0.095 ounce of gold, 0.14% copper and 0.27 ounce of silver per ton. In this calculation, all high assays were cut to 0.50 ounce per ton and a 25% dilution allowance used.

During 1975, a total of 4,476 feet of diamond drilling was completed in order to confirm tonnage available for open pit mining down to 200 feet. The pit area was cleared and sufficient overburden removed to expose the ore. A road into the pit was also excavated. The drilling indicated that some 308,427 tons were available for the planned open pit mining with the remainder to be extracted by underground methods.

Ore reserves were recalculated to include the 1975 drilling and moderately revised to 2,353,000 tons of the same grade as the 1974 estimate, to a depth of 800 feet. This estimate also reflects the cutting of high assays to 0.50 ounce and a 25% dilution allowance.

The concept was for an initial open pit mining operation. The potential of the project was enhanced by the location of the property with available access and hydro power which would involve a relatively low expenditure to prepare the property for production. The existence of the mill, which could be modified to treat the ore, was an important factor in the overall cost projections.

The mine was being readied for a planned pilot operation at an initial rate of 500 tons daily, commencing in 1976, until a decision was taken during October, 1975 to suspend construction and development, and place the project on a standby basis. This decision was taken in conjunction with the sharp drop in the price of gold from the late 1974 peak of \$197.50 to a level below \$140.00 per ounce in October, 1975. Resumption of operations will require an improvement in the price of gold along with some assurance of price stability. Further financing will also be required.

The project studies carried out in 1975 indicated capital costs for the initial phase of pilot mining of approximately \$1,285,000 including working capital of \$675,000. The second stage to full production from the open pit would require a further expenditure of \$1,334,000. The capital cost of the underground mining program was estimated at \$2,388,650.

The foregoing 1975 cost estimates are extremely modest against the expenditure which might be considered for most other gold mining operations of similar size. There is the added advantage that, under appropriate gold prices, the mine could be phased into pilot operation at relatively low cost with some of the future capital requirements being generated from the open pit operation.

Although this mine would not be viable at current gold prices, the concept as planned would be attractive at appropriately higher and sustained price levels.

During 1975, your Company purchased by private placement, 500,000 treasury shares of Dumagami at \$1.10 per share for a total consideration of \$550,000. In 1976, your Company and Noranda Mines Limited, which is the principal shareholder of Dumagami, subscribed for additional treasury shares, to provide necessary interim financing.

OTHER INVESTMENT HOLDINGS

As noted, your Company owns 1,385,582 shares of **Sudbury Contact Mines, Limited** and 115,200 shares of **Goldex Mines Limited**.

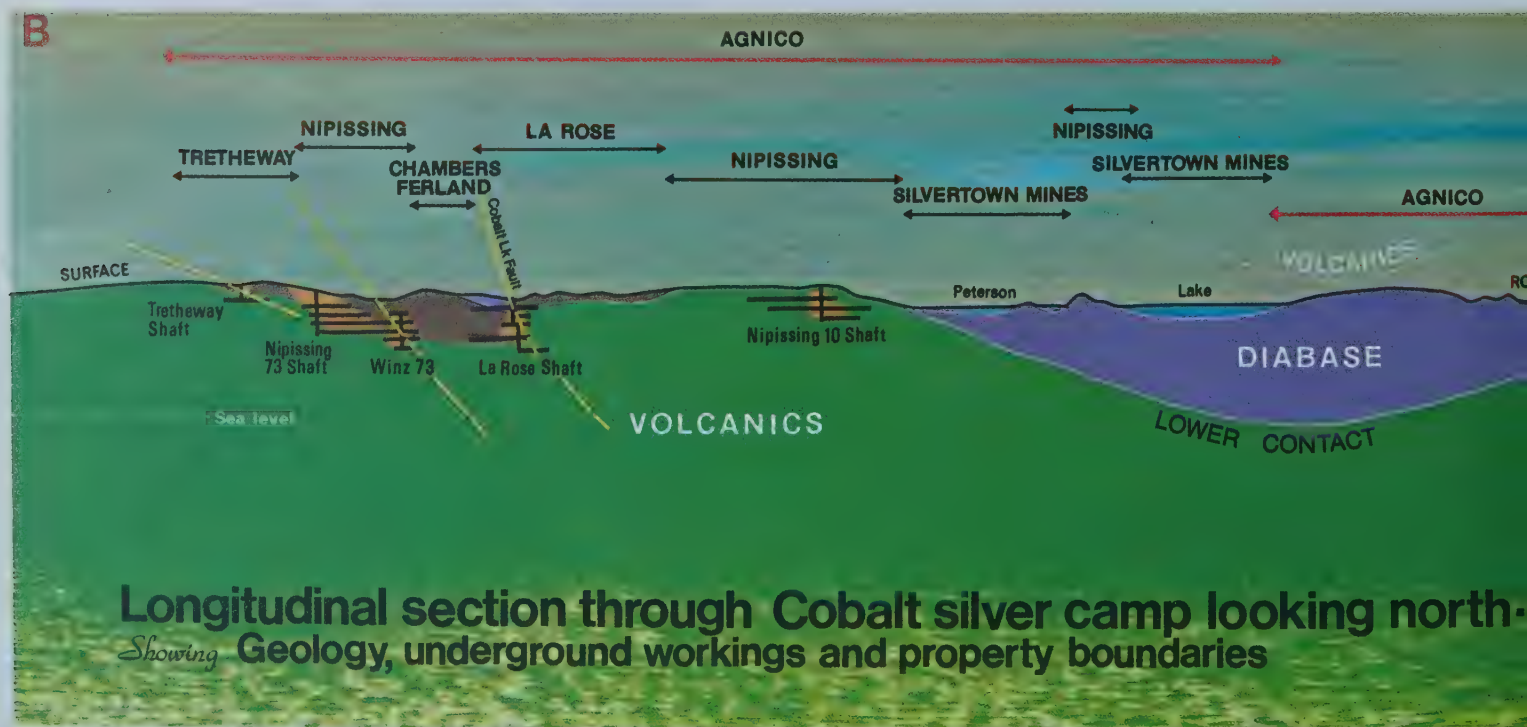
Further exploration and development of Sudbury Contact's Kirkland-Larder Lake area gold properties is being deferred awaiting an improvement in gold prices and related favourable capital financing conditions which would be required for the continuation of this project.

The assemblage of properties totalling 51 claims covering an area in excess of 2,000 acres held under working option by Sudbury Contact extend for a distance of nearly four miles immediately south of the east-west striking Kirkland-Larder Break with which the producing mines in the area are associated.

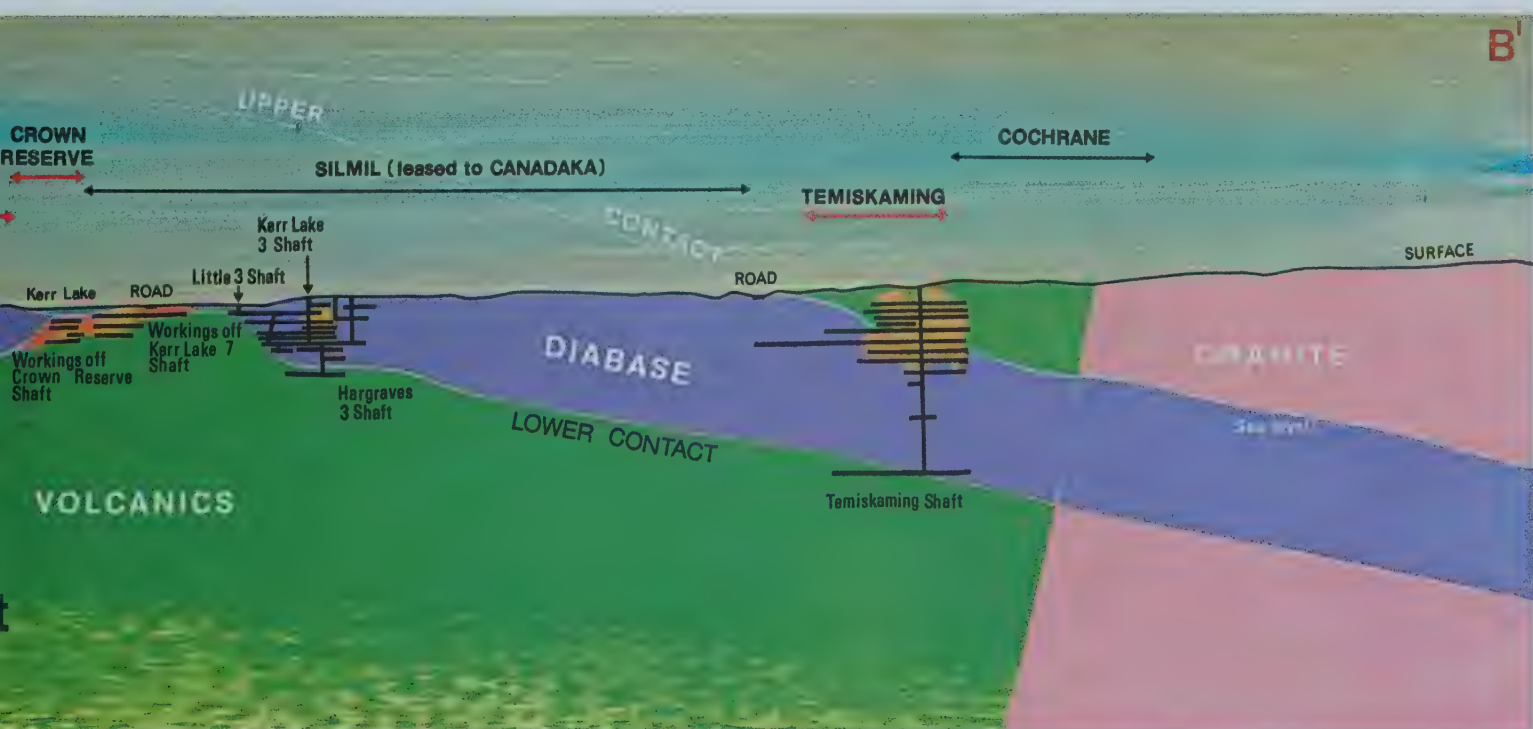
Exploration of the entire claim group was incomplete when the decision was taken to suspend work during 1976, influenced by a working capital deficiency and the decline in gold prices in the year. Interest in the general area continues at a fairly high level, as evidenced by the activities of several companies, including Canico, a subsidiary of Inco Limited, which optioned the gold prospects of Upper Canada Resources and Queenston Gold Mines in adjoining Gauthier Township; and Kerr Addison, the major gold producer in the area,

Continued on Page 12

The longitudinal section below covers many of the Company's properties in the Cobalt Silver Camp of Ontario, most of which obtained their silver production from the lower contact of the Nipissing diabase sill, the exceptions being the group of five mines which are designated under the title of 'Temiskaming' located toward the right hand side of this illustration. The section B to B' is shown on plan in the drawing appearing on page 14. The combined cumulative silver recovery from the properties presently owned or leased by Agnico-Eagle Mines Limited, covering the period of operations by both former owners and Agnico-Eagle, is in excess of 300 million ounces.



Dimensional illustration of Temiskaming and Beaver properties



which is continuing its studies of the contiguous properties of Arjon Gold Mines and Sheldon-Larder Mines, located in McGarry Township, adjoining to the east of McVittie Township.

Kerr Addison has reputedly spent more than \$500,000 in extending a long drive from its 3,850 foot level into the Arjon-Sheldon properties, and following a halt of work last September, was recently reported to have resumed diamond drilling into these properties.

Canico, which was required to spend a minimum of \$100,000 by December 31, 1976 on the Queenston-Upper Canada properties, reported an unaudited total expenditure between July, 1976 to January, 1977 of \$338,880. Wilroy Mines Limited recently reported a major rehabilitation program for its Macassa gold operation at nearby Kirkland Lake where it earned a \$360,000 operating profit in the 1977 first quarter.

The working option on the claims held by Sudbury Contact continues to July 17, 1980 and can be extended for a further three years if the company spends a total of \$500,000 on exploration and development. Expenditures to date closely approximate this amount.

WHOLLY OWNED PROPERTIES

The Lake Expanse Gold Property was purchased by your Company from McIntyre Mines Limited in December, 1974. It adjoins the former producing Belleterre Mines' property to the south-east. The Belleterre Mine, prior to closure in 1959, produced 763,293 ounces of gold from the treatment of 2,396,992 tons of ore with a recovered average grade of 0.32 ounce of gold per ton.

Belleterre was a subsidiary of McIntyre during this period of production and the adjoining Lake Expanse property now held by Mentor was purchased for cash by Belleterre in 1948. When McIntyre sold the Belleterre company in 1963, it retained the Lake Expanse claims until the sale to Mentor.

McIntyre carried out considerable surface trenching and diamond drilling on the Lake Expanse property prior to 1951, indicating nine gold zones of significance. In 1950-51 a shaft was sunk on one of these showings to a depth of 175 feet and limited lateral development carried out on the 150 foot level.

Results from this underground work were disappointing in that a number of lamprophyre dikes were encountered, replacing the gold-bearing quartz zones. However, an inclined raise to the surface from the 150 foot level outlined 110 feet of gold-bearing mineralization averaging 0.377 ounce of gold per ton across 3.6 feet, and 60 feet averaging 0.356 ounce per ton across 3.1 feet.

A detailed study of the compiled results of previous work indicates that the best chances of finding gold ore will be in quartz veins in relatively narrow tuffaceous bands in tightly folded areas. Because of the erratic nature of the gold-bearing quartz veins, drill holes must be closely spaced and located with careful study.

Diamond drill testing of the more favourable known zones is planned for the 1977 field season. The Shaft Area and Zone No. 1 are the two areas of immediate primary interest; the Shaft Area for reasons previously described and the area in the vicinity of the south end of the No. 1 Zone where previous drilling intersected 0.91 ounce of gold per ton across 7.4 feet.

During 1976, following the release of the results of the Quebec Government airborne INPUT electromagnetic survey, your Company staked a total of 24 claims to cover an anomaly in a good geological environment four miles southwest of Belleterre, Quebec. This newly acquired property is approximately on strike six miles east of the Lorraine Mine, a former copper-nickel producer. The Lorraine Mine ore was located in greenstone near a diorite contact.

The newly-acquired claim group in Blondeau Township covers a similar geology, and with a related anomalous zone represents a good exploration target. A number of large mining companies are known to be active in the area as a result of the INPUT survey. At the present time, grid lines are being cut on the Company's property in preparation for a detailed ground electromagnetic survey to pinpoint the anomalous zone and provide targets for follow-up drilling for base metals.

The 17-claim property of Mentor, which was acquired during the early Elliot Lake uranium boom of the late 1950's and retained by your Company through the years, has assumed growing importance. The property was tested by only one hole drilled many years ago when the technology

for accurate and straight drilling was far below current standards.

Recent data published by the Geological Survey of Canada, indicates a projection of the uranium-bearing, mineralized zones underlies about half of the Mentor property. A claim group belonging to Denison-Mitsui adjoins the Mentor property on strike to the northwest. This consortium also owns a property on strike about two miles to the southeast. Currently, Denison-Mitsui are test drilling the indicated uranium-bearing zone on strike about one-half mile northwest of Mentor's claim boundary. The results of this drilling could greatly substantiate the projected presence of uraniferous conglomerate on the Mentor property.

As the uraniferous conglomerate is known to be at a depth of about 4,000 feet on the Company's property, and the cost of drilling a hole would be about \$125,000 at the present time, it would be desirable to obtain all possible pertinent information prior to undertaking such drilling. Drilling results on the Denison-Mitsui adjoining property will have a strong bearing on future plans for your Company's well located uranium property.

GENERAL AND FINANCIAL DATA

Working capital at December 31, 1976 of \$1,630,242 shows an increase of \$49,783 from the comparative figure at year end 1975. Marketable securities and investments which are carried on the books at cost totalling \$2,821,775 had a quoted year end market value of \$4,351,036. Subsequent market appreciation in certain of these investments resulted in a quoted value for your Company's marketable securities and investments at March 31, 1977 totalling \$6,492,731.

From this strong financial base, emphasizing its equity participation in Agnico-Eagle Mines Limited, now clearly established as one of Canada's important gold producers and with a life expectancy matched by few other gold mines in North America, together with the potential for substantially improved earnings from the silver mining division, your Company is in an excellent position to benefit from the predicted sustained improvement in gold prices during and beyond 1977.

An appropriate gold price advance would also have important implications for the implementation of production planning for Dumagami Mines Limited, an undertaking in which your Company contemplates an increasing operational and financial participation.

The exploration potential of the Lake Expense Gold Property where drilling is scheduled to test known gold-bearing zones, together with the interesting possibilities for the Elliot Lake Uranium Property and the newly acquired Blondeau Township base metals prospect, provide additional and diversified opportunities for this predominantly gold-oriented enterprise.

On behalf of the Board of Directors,



President

May 27, 1977

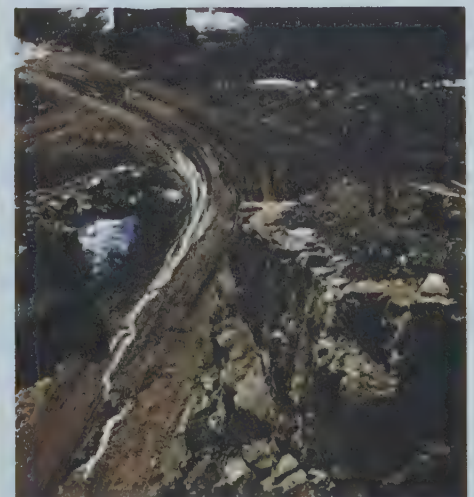


Agnico-Eagle holdings in the Cobalt silver camp, Ontario

This map was produced from various sources, none being official or certified.
all property boundaries are approximate

James H. Priest - Drafting Services
WHITBY, ONTARIO

See Longitudinal Section Page 10



***Above:** The old Temiskaming Mine, one of Cobalt's early producers now owned by Agnico-Eagle, recorded a recovery of 11.7 million ounces of silver in the period between 1904 to 1922, all of it obtained from the upper contact of the Nipissing diabase. The Temiskaming and the nearby Beaver shafts were the only two openings that were sunk down through the thick sill to the approximate 1,600 foot horizon in the Cobalt Camp. In contrast, most of the Cobalt producers which obtained their production from the lower contact of the Nipissing, generally mined from depths of 500 feet or less. **Top Right:** The Coniagas Mine headframe and office; pictures below are of the open stope at the Coniagas Mine which provided most of the 1976 silver ore. **Below:** Shaft headframe and mining plant at the Beaver Mine. The Beaver and Temiskaming shafts are connected by a crosscut on the 1600 foot level and during 1975-1976 a total of 2,669 feet of crosscutting and drifting had been completed from this underground access.*

BALANCE SHEET

AS AT DECEMBER 31, 1976

ASSETS

CURRENT

Cash	
Marketable securities, at lower of cost and market (market value \$3,749,920; 1975 — \$3,397,761)	
Loans receivable — 10%	
Accrued interest receivable	
INVESTMENTS, at cost (Note 2) (market value \$601,116; 1975 — \$746,474)	
MINING CLAIMS AND PROPERTIES, at cost	
DEFERRED EXPLORATION EXPENDITURES (Note 1)	

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Bank indebtedness, secured by certain securities	
Payable to brokers, secured by certain securities	
Accounts payable and accrued charges	

SHAREHOLDERS' EQUITY

Capital	
Authorized	
5,000,000 Shares, without par value	
Issued and Fully Paid	
3,455,746 Shares	
RETAINED EARNINGS	

The accompanying notes form an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

1976	1975
2,007	\$ —
1,883,957	1,931,765
104,100	173,600
27,882	43,709
2,017,946	2,149,074
938,818	867,005
125,880	125,880
71,480	66,904
3,154,124	\$3,208,863

We have examined the balance sheet of Mentor Exploration and Development Co., Limited as at December 31, 1976 and the statements of administrative expenses, revenue and retained earnings, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario.
March 18, 1977.

145,000	\$ 325,590
234,116	235,452
8,588	7,573
387,704	568,615

Approved on behalf of the Board of Directors:

1,802,966	1,802,966
963,454	837,282
2,766,420	2,640,248
3,154,124	\$3,208,863

PAUL PENNA, Director.

IRVING DOBBS, Director.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES, REVENUE AND RETAINED EARNINGS

For the Year Ended December 31, 1976

	1976	1975
EXPENSES		
Administration and office services	\$ 10,800	\$ 10,800
Interest and bank charges	50,463	85,637
Legal and audit	7,726	13,772
Shareholders' information	10,435	9,541
Property examination consulting fees	23,716	16,025
Transfer agent fees	4,164	4,655
Miscellaneous	4,305	3,627
Depreciation, office furniture	—	133
Directors' fees	900	900
	<u>112,509</u>	<u>145,090</u>
Less: Gain (Loss) on sale and revaluation of marketable securities and investments	219,359	(110,848)
Interest and dividends earned	<u>19,322</u>	<u>83,860</u>
	<u>238,681</u>	<u>(26,988)</u>
NET REVENUE (LOSS) BEFORE TAXES	126,172	(172,078)
Provision for income taxes	<u>11,178</u>	<u>—</u>
NET REVENUE (LOSS) BEFORE EXTRAORDINARY ITEM	114,994	(172,078)
Utilization of prior years' unrecorded deferred tax benefit	<u>11,178</u>	<u>—</u>
NET REVENUE (LOSS) FOR THE YEAR	126,172	(172,078)
RETAINED EARNINGS, beginning of year	<u>837,282</u>	<u>1,009,360</u>
RETAINED EARNINGS, end of year	<u>\$ 963,454</u>	<u>\$ 837,282</u>

The accompanying notes form an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

For the Year Ended December 31, 1976

	1976	1975
BELLETERRE AREA, QUEBEC		
Staking	\$ 1,020	\$ —
Consulting fees	2,277	—
Licences and taxes	568	165
	<u>3,865</u>	<u>165</u>
OTHER PROPERTIES		
Licences and taxes	711	655
DEFERRED EXPLORATION EXPENDITURES, beginning of year	66,904	66,084
DEFERRED EXPLORATION EXPENDITURES, end of year	<u>\$ 71,480</u>	<u>\$ 66,904</u>

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

As at December 31, 1976

	1976	1975
Hill Group, Ontario	\$ 64,728	\$ 64,146
Halet Group, Ontario	2,123	2,037
Chandler Group, Ontario	599	556
Belleterre Area, Quebec	4,030	165
	<u>\$ 71,480</u>	<u>\$ 66,904</u>

The accompanying notes form an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1976

	1976	1975
SOURCE OF WORKING CAPITAL		
Gain on sale of marketable securities	\$ 224,204	\$ —
Interest and dividends earned	19,322	83,860
Repayment of advances to other companies	—	82
	<u>243,526</u>	<u>83,942</u>
APPLICATION OF WORKING CAPITAL		
Administrative expenses	112,509	145,090
Less: Depreciation, a non-current charge to income	—	133
	<u>112,509</u>	<u>144,957</u>
Loss on sale and revaluation of marketable securities	—	110,848
Acquisition of investments	76,658	559,737
Exploration expenditures	4,576	820
	<u>193,743</u>	<u>816,362</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>49,783</u>	<u>(732,420)</u>
WORKING CAPITAL — beginning of year	<u>1,580,459</u>	<u>2,312,879</u>
WORKING CAPITAL — end of year	<u>\$1,630,242</u>	<u>\$1,580,459</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1976

1. ACCOUNTING POLICY

The company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be of little or no value are written down to nominal value and deferred exploration thereon is written off to deficit. The amounts shown for deferred exploration expenditures are not intended to reflect present or future values.

2. INVESTMENTS

During the year the company purchased by private placement 135,000 shares of Dumagami Mines Limited at 56¢ per share for a total consideration of \$75,600. In addition, the company purchased 2,000 shares on the market for \$1,058.

Investments held at December 31, 1976 are as follows:

	Cost	Market
653,500 shares Dumagami Mines Limited	\$ 636,395	\$ 372,495
1,385,582 shares Sudbury Contact Mines, Limited	302,423	228,621
	<u>\$ 938,818</u>	<u>\$ 601,116</u>

The cost of the investments has not been written down as these shares are being held for investment purposes and management feels that a permanent decline in value has not occurred.

3. EXTRAORDINARY ITEM

For income tax purposes the Company has claimed certain expenses in lesser amounts than the related provisions recorded for accounting purposes. The resulting timing differences give rise to deferred income tax benefits which were not reflected in the accounts previously as their recovery was uncertain. The deferred tax benefit of \$11,178 realized for 1976 is a result of the recovery of income taxes of an equal amount on income for the year.

